



# Purpose of the Workshop

CalRecycle is presenting information how on the department calculates the processing fee and processing payment rate and is seeking industry input on the frequency of the adjustments to the rates.





#### **Public Resource Code**

**Section 14575.** (a) If any type of empty beverage container with a refund value established pursuant to Section 14560 has a scrap value less than the cost of recycling, the department shall, on January 1, 2000, and on or before January 1 annually thereafter, establish a processing fee and a processing payment for the container by the type of the material of the container.





- **(f)** Not more than once every three months, the department may make an adjustment in the amount of the processing payment established pursuant to this section notwithstanding any change in the amount of the processing fee established pursuant to this section, for any beverage container, if the department makes the following determinations:
- (1) The statewide scrap value paid by processors for the material type for the most recent available 12-month period directly preceding the quarter in which the processing payment is to be adjusted is 5 percent more or 5 percent less than the average scrap value used as the basis for the processing payment currently in effect.
- (2) Funds are available in the processing fee account for the material type.
- (3) Adjusting the processing payment is necessary to further the objectives of this division.



# **Processing Payment Calculation**

- Defined as the difference between the statewide, weighted-average cost of recycling (determined by Processing Fee Cost Survey), multiplied by a reasonable financial return, and the average scrap value paid to recyclers. Equation below:
- Processing Payment = (Cost of Recycling x Reasonable Financial Return) (Scrap Value)
- Reasonable financial return figure, which is multiplied by the cost per ton, is the "average return on costs for the Scrap and Waste Materials Industry (SIC 5093), as determined from data contained in the most recent Dun and Bradstreet Standard Three Year Norm Report."
- Cost of Living Adjustment (COLA) is applied to the cost of recycling every second year as measured by the Bureau of Labor Statistics of the U.S. Department of Labor.
- The processing payment is paid by the department to processors, who then pass the payment on to recyclers, based on the weight of material redeemed.





### Recycling Costs per Ton

- The Processing Fee Cost Survey is used to estimate the statewide, weighted-average, 2010 certified recycler costs per ton, for 10 beverage container material types, for recycling centers that did not receive handling fees.
- Using a stratified random sampling method, 198 sites out of 842 qualifying recycling centers were selected.
- The sampling plan has a 90 percent confidence interval.





Material	Cost per Ton
Aluminum	\$537.06
Glass	\$89.76
PET #1	\$440.61
HDPE #2	\$611.62
PVC #3	\$962.14
LDPE #4	\$1,372.58
PP #5	\$1,231.38
PS #6	\$762.73
Other #7	\$835.69
Bi-Metal	\$770.80





### Statewide Scrap Value Averages

- Statute requires DOR to determine the statewide average scrap values paid by certified processors to all sellers for all beverage container materials.
- The monitoring of statewide average scrap values is necessary in order to calculate the appropriate processing payments.
- All purchases during any given month of glass, bimetal, and all plastic resin beverage container material types, from all sellers, must be reported on the Scrap Value Purchases Survey Form.



#### 2012 Scrap Value per Ton (October 2011 - September 2012)

Material	Cost per Ton
Aluminum	\$1,014.86
Glass	\$3.51
PET #1	\$441.21
HDPE #2	\$355.78
PVC #3	(\$37.44)
LDPE #4	\$209.31
PP #5	\$24.77
PS #6	\$6.28
Other #7	(\$2.85)
Bi-Metal	\$5.32





#### **2013 Processing Payment Calculation**

	GLASS	PET	HDPE
Cost of Recycling (Ton)	\$89.76	\$440.61	\$611.62
COLA (2nd Year)	3.12%	3.12%	3.12%
Reasonable Financial Return	2.50%	2.50%	2.50%
Cost/Ton w/COLA & RFR	\$94.87	\$465.72	\$646.47
Scrap Value Average	\$3.51	\$441.21	\$355.78
Processing Payment (Ton)	\$91.36	\$24.51	\$290.69





# **Processing Fee Calculation**

- The processing fee, earlier in the history of the beverage recycling program, was equal to the processing payment, and was paid to the department by beverage manufacturers on every container sold.
- Over time, the processing fee was modified, and currently, the amount of processing fee paid by beverage manufacturers is reduced, based on the recycling rate of the material.
- The difference between the processing fee paid to the department, and the processing payment paid to recyclers, is made up with funds from the California Beverage Container Recycling Fund (i.e., from CRV paid on unredeemed containers).





#### **Processing Fee Reduction Factors for January 1, 2013**

Material	FY 11/12 Recycling Rate	Processing Fee Reduction Factor
Glass	85%	10 Percent
PET #1	69%	11 Percent
HDPE #2	104%	10 Percent
PVC #3	14%	65 Percent
LDPE #4	1%	65 Percent
PP #5	3%	65 Percent
PS #6	13%	65 Percent
Other #7	7&	65 Percent
Bi-Metal	16%	65 Percent





#### 2013 Processing Fee per Ton & Container

Material	PF per Ton	PF per Container
Glass	\$9.14	\$0.00238
PET #1	\$2.70	\$0.00008
HDPE #2	\$29.07	\$0.00202
PVC #3	\$685.36	\$0.01283
LDPE #4	\$806.96	\$0.00977
PP #5	\$829.90	\$0.08299
PS #6	\$519.94	\$0.00229
Other #7	\$576.00	\$0.08229
Bi-Metal	\$526.11	\$0.04175

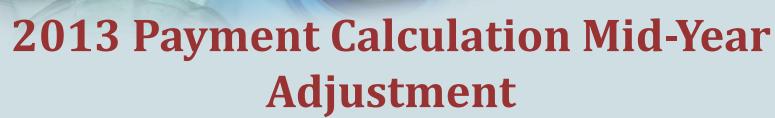




#### Scrap Value Averages per Ton (12-month Rolling Avg.)

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PERIOD	Glass	PET	HDPE
Oct '11 - Sep '12			
(Baseline)	\$3.51	\$441.21	\$355.78
Jan '12 - Dec '12	\$3.32	\$421.55	\$352.88
Difference	-\$0.19	-\$19.66	-\$2.90
% Change	-5.41%	-4.46%	-0.82%
Apr '12 - Mar '13	\$3.01	\$400.48	\$350.81
Difference	-\$0.50	-\$40.73	-\$4.97
% Change	-14.25%	-9.23%	-1.40%





	GLASS	PET
Cost of Recycling (Ton)	\$89.76	\$440.61
COLA (2nd Year)	3.12%	3.12%
Reasonable Financial Return	2.50%	2.50%
Cost/Ton w/COLA & RFR	\$94.87	\$465.72
Scrap Value Average	\$3.01	\$400.48
Processing Payment (Ton)	\$91.86	\$65.24



# **Discussion Questions**

- Should CalRecycle implement a mid-year adjustment of the processing payment rates, effective August 1, 2013?
- Historically, CalRecycle has not implemented processing payment adjustments if they negatively impact recyclers.
- Do recyclers want CalRecycle to automatically adjust the processing payment rates when the most recent available 12-month period directly preceding the quarter in which the processing payment is to be adjusted is 5 percent more or 5 percent less than the average scrap value used as the basis for the processing payment currently in effect?
- Who will pay for the additional offsets from the processing payment adjustments?





# Comments/Questions

